

**Responses to Inquiries
RFP 09-01
International and Global Equity Manager**

- 1.) What size mandates are you looking to allocate to the new MSCI ACWI managers?

Size will be dependent upon the stylistic approach PERF chooses to take and the number of managers who are ultimately selected to manage global mandates. Currently, PERF has not defined a target and decisions on mandate size will be made later in the process once PERF has vetted all proposals and defined the structure of the global equity portfolio. PERF's long-term strategic asset allocation target for the global equity portfolio is 10 percent. For fee proposals, please assume a minimum mandate size of \$200M.

- 2.) What level of active risk are you looking to spend?

The level of active risk is dependent upon the type of mandate being proposed. When concerning long-only active mandates (option 2a), PERF would consider products with tracking error as high as 7 percent. When concerning unconstrained opportunistic mandates (option 2b), PERF will consider larger degrees of tracking error.

- 3.) Does the 5-year track-record need to be for the exact proposed product or can the track record of similar products/accounts be used as a proxy?

The portfolio manager or firm must have a verifiable 5-year track record managing the proposed product or one that mirrors the proposed product in terms of style and process. Given there are countless situations that necessitate further diligence, PERF is willing to consider submissions that demonstrate track records managing international and global equities (which include emerging markets) if the portfolio manager or firm can demonstrate they have 5+ years of experience in these areas.

- 4.) Will mandates benchmarked to the MSCI World Index be considered (both EAFE and Global) for inclusion under 2b - Opportunistic Mandates?

Only global mandates will be considered under 2b – Opportunistic Mandates. They will be benchmarked to MSCI ACWI Free Net.

- 5.) Your RFP specified an ACWI benchmark. We have been managing EAFE portfolios since 1978, principally against the MSCI EAFE benchmark, as that has been our clients' benchmark of choice. More recently, our clients have expressed interest in the ACWI benchmarks, which we have additionally been managing to for the last couple of years.

Our process is benchmark agnostic, and we are able to manage portfolios equally well to either benchmark. Must we have a full 5-year track record with an ACWI benchmark in order to participate in this search or may we present our long EAFE track record?

The portfolio manager or firm must have a verifiable 5-year track record managing the proposed product or one that mirrors the proposed product in terms of style and process. With this in mind, if your capabilities extend to emerging markets and you have actively invested in emerging markets over the past 5 years then your mandate will be considered. Given there are countless situations that necessitate further diligence, PERF is willing to consider submissions that demonstrate track records managing international and global equities (which include emerging markets) if the portfolio manager or firm can demonstrate they have 5+ years of experience in these areas.

- 6.) What is the scope of assets for the International fund (benchmarked to the MSCI ACWI Ex-US)

For fee proposals, please assume a minimum mandate size of \$200M.

- 7.) To better tailor our response, would you be able to tell us the size of the mandate for the growth portion of the International (MSCI ACWI Ex-US) and global (MSCI ACWI Free Net) equity search?

International

Please use the \$200M assumption for the international proposals as well. PERF's long-term strategic asset allocation target for the international equity portfolio is 15 percent.

Global

Size will be dependent upon the stylistic approach PERF chooses to take and the number of managers who are ultimately selected to manage global mandates. Currently, PERF has not defined a target and decisions on mandate size will be made later in the process once PERF has vetted all proposals and defined the structure of the global equity portfolio. PERF's long-term strategic asset allocation target for the global equity portfolio is 10 percent. For fee proposals, please assume a minimum mandate size of \$200M.

- 8.) The RFP states that the minimum qualifications for a manager to be considered for this mandate include a 5-year track record. Is there any flexibility on this requirement? We are a well established firm with several products that have 10-year track records, and we have launched an international large cap growth product which currently has a 4-year track record. We would like to submit this international product for consideration.

The portfolio manager or firm must have a verifiable 5-year track record managing the proposed product or one that mirrors the proposed product in terms of style and process. Given there are countless situations that necessitate further diligence, PERF is willing to consider submissions that demonstrate track records managing international and global equities (which include emerging markets) if the portfolio manager or firm can demonstrate they have 5+ years of experience in these areas.

- 9.) The product we would plan to submit has a sub 4-year track record; however, I understand you need a minimum of 5 years. Would our proposal still be considered given we don't tick this particular box although we've been working with PERF for 5+ years on International?

The portfolio manager or firm must have a verifiable 5-year track record managing the proposed product or one that mirrors the proposed product in terms of style and process. Given there are countless situations that necessitate further diligence, PERF is willing to consider submissions that demonstrate track records managing international and global equities (which include emerging markets) if the portfolio manager or firm can demonstrate they have 5+ years of experience in these areas.

- 10.) Very specifically, will you be able to hire a manager that uses MSCI EAFE as its internal benchmark, and if so, would it be measured against MSCI EAFE? Our portfolio is EAFE+ in orientation.

International mandates will be benchmarked to the MSCI ACWI Ex-US. Since you stipulate that your portfolio is EAFE+ in orientation, if your capabilities extend to emerging markets and you have actively invested in emerging markets over the past 5 years, then your mandate will be considered.

11.) What size (AUM) do you expect the mandates to be?

For fee proposals, please assume minimum mandate sizes of \$200M.

12.) My firm manages a Global Equity MSCI World Index strategy with a contiguous track record back to March 1, 2004. Two years later, we launched a similar Global Equity strategy benchmarked to the MSCI ACWI. Would it be acceptable to submit our Global Equity MSCI World Index strategy that started on March 1, 2004, for your MSCI ACWI Free Net MANAGER RFP since it will have a 5-year track record on March 1, 2009?

Yes, if your capabilities extend to emerging markets and you have actively invested in emerging markets through another product or the portfolio manager has a verifiable track record investing in emerging markets over the past 5 years, then your mandate will be considered.

13.) We are an affiliate of a large investment management organization whose structure is multi-boutique in nature. As such, there is currently a drug policy in effect which covers all affiliates firm wide. The drug policy may be slightly different than the Indiana PERF drug policy. Is it permissible to move forward with our drug policy since it may not be possible to change the firm wide policy? We would have no issue certifying to the Indiana PERF policy.

Yes.

14.) Is this is a defined benefit opportunity or defined contribution opportunity?

This opportunity is from defined benefit funds.

15.) Are you accepting proposals from long/short GTAA managers?

Yes, this will be considered under 2b – Opportunistic Mandates.

16.) What types of securities are allowed – i.e., derivatives or just equities?

Proposals submitted under 2b – Opportunistic Mandates need not meet guidelines found in Section 7 of PERF's Investment Policy Statement.

17.) Will you allow benchmarks other than the MSCI ACWI Free Net? Specifically, GTAA strategies usually have a cash or blended (60/40) benchmark.

All global mandates will be benchmarked to the MSCI ACWI Free Net.

18.) Does *Opportunistic Mandates (e.g. GTAA/Other)* refer to true GTAA managers, or is this geared towards global equity strategies?

PERF will preference proposals geared toward global equity strategies.

19.) What is the tracking error target for this mandate?

PERF has not defined a tracking error target for unconstrained opportunistic mandates. For unconstrained opportunistic mandates, (option 2b), PERF will consider larger degrees of tracking error relative to long only strategies.

20.) Will you accept proposals from managers that utilize a quantitative approach?

Yes.

21.) Is the use of leverage allowed?

Leverage is not permitted in submissions for (Option 1) Active long-only MSCI ACWI Ex-US and (Option 2a) Active Long-Only MSCI ACWI Free Net. The use of leverage will be considered only in (Option 2b) Opportunistic Mandates.

22.) There are 3 possible mandates as follows:

Active long-only MSCI ACWI Ex-US
Active long-only MSCI ACWI Free Net
Opportunistic MSCI ACWI Free Net

What is the asset size of this search broken down by each mandate?

Please assume a minimum mandate size of \$200M.

How many managers will be hired for each mandate?

PERF is not targeting a specific number of managers.

On what asset size should we base our fee quote for each mandate?

Please assume a minimum mandate size of \$200M.

23.) The Investment Management Contract makes several references to the Fund's Statement of Investment Policy. We found a copy dated November 21, 2008, on the PERF website. Is that the correct version?

Yes.

24.) Please clarify. If we submit two mandates for RFP #09-01, should we submit two transmittal letters and two business proposals and the applicable Exhibit E or F? Or should we submit one transmittal letter and one business proposal along with both Exhibits?

One transmittal letter and one business proposal is acceptable and preferred.

25.) Please clarify. Is it correct to assume that there is no need to include Exhibit C (Fees) or Exhibit D (Mandatory Minimum Qualifications) in our response as both issues are covered in Business Proposal questions 4.3.2 (Fees) and 4.3.3 (Mandatory Minimum Qualifications)?

Correct. They need to be included in the Business Proposal, but no additional documentation with respect to Exhibit C and D is necessary.

26.) Is it correct to assume that we are not required to have a MBE/WBE commitment and that we should only complete the form if it applies?

MBE/WBE commitment is not a requirement. Please complete where applicable.

27.) We assume that we only need to complete the Indiana Economic Impact Statement if it applies. Is that correct?

Correct.

28.) Section 3 of the form Investment Management Contract requires the Investment Manager to advise the Fund in the event of various occurrences including an examination by the SEC.

Investment Advisers are subject to routine examination and sweep examinations that are not related to any alleged wrongdoing and do not affect the Investment Adviser's ability to perform its duties. Is it the intent of the provision to require notice of routine examinations and sweep examinations?

PERF would expect to be notified of any non-routine examination.

- 29.) Section 6 of the Investment Management Contract contains a most favored nation provision. Our experience is that investment management fees are tiered according to client type and that public pension funds receive the lowest fees except for sub-advisory assignments, which constitute a different client relationship. Can this provision be revised to be limited to public pension funds?

Section 6 limits the most favored nation provision to similarly-situated clients, so we do not believe a revision is necessary.

- 30.) Section 44 of the Investment Management Contract makes the Investment Manager solely responsible for the cost of any background checks that the Fund may elect to run. What is the range of costs associated with such checks?

These background checks are required for access to our building. Such access is not normally needed by an investment manager.

- 31.) Our firm has a track record that will be 4-5 months short of your 5-year track record request. Would they be considered for the mandate or is the 5 years set in stone with no flexibility?

The portfolio manager or firm must have a verifiable 5-year track record managing the proposed product or one that mirrors the proposed product in terms of style and process. Given there are countless situations that necessitate further diligence, PERF is willing to consider submissions that demonstrate track records managing international and global equities (which include emerging markets) if the portfolio manager or firm can demonstrate they have 5+ years of experience in these areas.

- 32.) We have an active long-only Global Long Only strategy. The RFP mentions the strategy can be a MSCI ACWI Ex-US mandate or an Opportunistic Mandate using the ACWI index. Under these definitions, I believe our strategy would be classified under the Opportunistic Mandate, correct?

International mandates will be benchmarked to the MSCI ACWI Ex-US benchmark. Global Mandates will be benchmarked to the MSCI ACWI Free Net benchmark. Only global proposals can be submitted under option 2b – Opportunistic Mandates. The proposal you reference seems to most reasonably fit under 2a Active Long-Only MSCI ACWI Free Net.

- 33.) Will you be conducting an international small cap equity manager search in the near future?

None are currently planned.

- 34.) Will the RFP be considered non responsive if references are excluded until such time as an award is offered?

Not if there is an issue with confidentiality agreements with those references. If selected as a finalist, Indiana PERF will want to contact references.

- 35.) Would financial statements of our parent company be appropriate as we are a subsidiary of a larger corporation and do not produce audited financials?

Yes.

- 36.) If awarded the mandate, will you accept minor modifications to the Investment Management Agreement?

Any substantive changes will not be accepted. PERF in its sole discretion will determine if a modification is substantive. Minor modifications will be accepted.

- 37.) The RFP asks for “monthly returns since inception year including tracking error relative to the MSCI ACWI Ex-US.” Our performance history dates back to Q2 1995. From inception to Q4 2004, we have only quarterly data. Jan. 2005 forward, we have monthly information. Is it acceptable to provide quarterly data for the periods we don’t have monthly information?

Yes.

- 38.) The inception of our performance history pre-dates the inception of MSCI ACWI Ex-US by almost four years. How should we calculate tracking error for those periods before the inception of the index?

Please provide data based upon the benchmark that was being used prior to the existence of the MSCI ACWI for that four year period and note the benchmark being used.

- 39.) What is the minimum allocation size (\$m) for this mandate? (ref 4.3.1 Concentration of Assets restriction to 5 percent AUM)

Please assume a minimum mandate size of \$200M.

- 40.) Will the overall allocation be split into value, core, growth and unconstrained?

With respect to the MSCI ACWI Ex-US mandate value, core and growth will all be considered and determinations as to how much to allocate to each will be done after a full review of responses is completed.

With respect to the MSCI ACWI Free Net Mandate, PERF has not defined a target and decisions on mandate size will be made later in the process once PERF has vetted all proposals and defined the structure of the global equity portfolio.

- 41.) Does a portfolio of 30-50 stocks constitute a concentrated portfolio for the purposes of section 7.1 of Indiana PERF Investment Policy?

Yes.

- 42.) Questionnaire 4.3.6 (9) - The performance data required (GIPS verified) is readily available compared to MSCI ACWI Free Gross. Is this permitted for the Proposal? If provision of a Net comparison is required, we are able to rework to include the index on a Net basis.

Please submit based upon the MSCI ACWI Free Net.

- 43.) We do not see any range for the size of this mandate in the RFP. Can you provide us with an approximate size of the mandate?

Please assume a minimum mandate size of \$200M.

- 44.) For the Active Long-Only MSCI ACWI Free Net Mandate search, please elaborate on Active. Do you have certain excess return or tracking error targets?

The level of active risk is dependent upon the type of mandate being proposed. For long-only active mandates, (option 2a), PERF would consider products with tracking error as high as 7 percent. For unconstrained opportunistic mandates, (option 2b), PERF will consider larger degrees of tracking error.

- 45.) We note in the RFP that it is imperative that any changes to the form of Investment Management Agreement be in the form of an amendment. Would it be acceptable to submit a red-lined, mark-up of the IMA or should we include our suggested changes in the Transmittal Letter or a separate document?

Red-lined copies will be accepted.

- 46.) How does Indiana PERF define *Sudan free*? Is it by definition, Highest Offenders or does it extend beyond that?

PERF is subject to Sudan divestment pursuant to House Enrolled Act No. 1067. Please see HEA No. 1067 <http://indiananet.indianachamber.com/2007data/docs11/HB1067.htm>.

- 47.) Is there a list of securities currently restricted by Indiana PERF's Sudan screen?

Yes, PERF has contracted with a third-party to assemble such a list, which would be provided to managers post-contract execution.

- 48.) What is the frequency of updates to the Indiana PERF Sudan screen list?

The list is updated annually.

- 49.) What is the maximum percentage limit of our strategy that can be invested in securities included on Indiana PERF's Sudan screen?

There is not an acceptable percentage allowed, assume a 0 percent tolerance.

- 50.) Would Indiana PERF provide a list of specific stocks that would be restricted pursuant to the Sudan compliance screen? If not, how would you require this screen to be applied?

Yes, PERF has contracted with a third-party to assemble such a list, which would be provided to managers post-contract execution.

- 51.) Please provide the amount of time the manager is allowed to exit names when added to the screen.

Managers must divest 50 percent of affected shares within 6 months and must be 100 percent divested after 12 months.

- 52.) Regarding the completion of the *Application for Certificate of Authority of a Foreign Corporation*, can you elaborate on who should complete this form?

If you are not domiciled in the state of Indiana and are a corporation, then you would need to complete this application.

- 53.) Section 6 of the Investment Management Contract contains a most favored nation provision. Our experience is that investment management fees are tiered according to client type and that public pension funds receive the lowest fees except for sub-advisory assignments, which constitute a different client relationship. Can this provision be revised to be limited to public pension funds?

Section 6 limits the most favored nation provision to similarly situated clients, so we do not believe a revision is necessary.

- 54.) Could you please provide us with some additional guidance on the completion of the Minority & Women's Business Enterprises RFP Subcontractor Commitment Form? Specifically, we noted in Section 4.3.13 of the RFP reference to a goal of 7 percent.

See question #26.

- 55.) Page 13; Section 7. Investment Guidelines; Guidelines for Investment Manager, #1): For one of the concentrated portfolios that we are proposing the 7.5 percent limit at cost is below our standard 10 percent guideline. Will there be any flexibility on this guideline? Is cash considered a security for this test? Can we have 0-100 percent cash in the portfolio at any given time?

All proposals submitted as active long-only mandates are subject to guidelines found in Section 7 of PERF Investment Policy Statement. Proposals submitted under option 2b Opportunistic Mandates need not meet guidelines set forth in Section 7 of PERF's Investment Policy Statement.

- 56.) Page 15; Section 7. Investment Guidelines; Guidelines for Investment Manager, #9): We would like to have the flexibility to purchase options; also covered calls have been used from time to time. Would this be allowed? Also, is there a restriction on ETF purchases? We have used and/or could use in the future ETF's that track equity indexes, fixed income indexes or securities, currencies, and commodities. Would these be allowed under the PERF guidelines?

See question #55.

- 57.) Page 19; Section 7. Investment Guidelines; Guidelines for Global Equity Portfolios, #1): We would like to ask for clarification regarding *Investment in a portfolio of equity securities*. Would we have the flexibility to purchase fixed income securities opportunistically, and manage cash balances from 0-100 percent? Would the prospect's guidelines allow this flexibility (with cash management being by far the more important of the two)?

See question #55.

- 58.) Page 19; Section 7. Investment Guidelines; Guidelines for Global Equity Portfolios, #1): This section also states that the portfolio will vary from the benchmark metrics from time to time. We are proposing unconstrained approaches and we expect meaningful differences from the benchmark the majority of the time. Is this acceptable? Can these strategies be allowed to have double-digit tracking risk?

PERF will consider proposals with larger degrees of tracking error when submitted under section 2b – Opportunistic Mandates.

- 59.) Page 20; Section 7. Investment Guidelines; Guidelines for Global Equity Portfolios, #5): This rule states that 144A securities should not exceed 10 percent of the portfolio. Our standard guidelines allow for up to 15 percent private placements. Are other private placements

allowed under the prospect's guidelines (or just 144As)? Would PERF show flexibility with the 10 percent cap?

See question #55.

- 60.) Can you please provide us with more clarification on how Indiana PERF defines leverage in the portfolio?

Leverage is not permitted in submissions for, (Option 1) Active long-only MSCI ACWI Ex-US and (Options 2a) Active Long-Only MSCI ACWI Free Net. The use of leverage will be considered only in (Options 2b) Opportunistic Mandates.

- 61.) Can you please provide the market value(s) on which to base a fee proposal for both the Active MSCI ACWI Ex-US Manager and Active MSCI ACWI Free Net Manager searches?

Please assume a minimum mandate size of \$200M for both MSCI ACWI Ex-US and MSCI ACWI Free Net Mandates.

- 62.) What is the proposed size of the mandate?

Please assume a minimum mandate size of \$200M for both MSCI ACWI Ex-US and MSCI ACWI Free Net Mandates.

- 63.) How should we interpret *substantially* in the following most favored nation language found in the Fees section of the Contract:

"The Investment Manager represents that no other current client having the same investment mandate obtained prior to or subsequent to Fund will be charged a lower fee than the Fund for managing substantially the same amount of assets in substantially the same manner. The Investment Manager further agrees to promptly notify the Board if, in the future, it provides more favorable fees to other, similarly situated clients. Should that happen, the Investment Manager agrees that, on the effective date of such an occurrence, the more favorable fee structure shall be applied to this Fund in lieu of Attachment B."

This can be discussed in detail if selected as finalist.

- 64.) Would any most favored nation clauses in the Contract be forward looking?

Yes.

- 65.) There is a possibility that in the future we may begin to use futures instead of forwards in currency hedging. Would the potential use of futures be acceptable for Indiana PERF?

See question #55.

- 66.) Could you please provide the anticipated funding sizes for the various mandates?

Please assume a minimum mandate size of \$200M for both MSCI ACWI Ex-US and MSCI ACWI Free Net Mandates.

- 67.) Are the RFPs for the replacement of current managers or new fundings to further broaden and meet PERF's new asset allocation policy?

At this stage in the RFP process, an understanding of PERF's intentions with the existing portfolio is not necessary for submission of a proposal.

With respect to the MSCI ACWI Ex-US mandate value, core and growth will all be considered and determinations as to how much to allocate to each will be done after a full review of responses is completed.

With respect to the MSCI ACWI Free Net Mandate, PERF has not defined a target and decisions on mandate size will be made later in the process once PERF has vetted all proposals and defined the structure of the global equity portfolio.

- 68.) Under the Opportunistic Mandates section, would a global/non-US small cap strategy be considered?

Yes.

- 69.) Although we don't work with any organizations on the Minority and Women's Enterprises Division (MWBED) Directory, we do work with local companies that meet the same criteria. In addition, we could, if selected, agree to work with the MWBED to satisfy this requirement going forward. Would these be sufficient enough for us to submit a proposal?

MBE/WBE commitment is not a requirement. Please complete where applicable.